

Message Text

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SUBJECT: GOVERNOR GENERAL MEETS WITH MOZAMBIQUE BUSINESS
COMMUNITY

BEGIN UNCLASSIFIED

1. GOVERNOR GENERAL PIMENTEL DOS SANTOS ADDRESSED REPRESENTATIVES OF INDUSTRIAL, COMMERCIAL AND AGRICULTURAL ASSOCIATIONS ON MARCH 20 TO GIVE THEM PANORAMA OF MOZAMBIQUE'S POLITICAL AND ECONOMIC SITUATION, WHICH "WOULD NECESSARILY BE REALISTIC, WITHOUT HIDING BLACK SPOTS, BUT ALSO WITHOUT ALLOWING ONE TO BE SEDUCED BY A SICK, DEFEATIST PESSIMISM." HIGHLIGHTS OF SPEECH ARE SUMMARIZED BELOW.

2. CRISIS OF CREDIBILITY

GOVERNOR REFERRED TO THOSE WHO ALLEGED THAT UNCERTAINTY OVER FUTURE OF MOZAMBIQUE WAS LEADING TO REPATRIATION OF
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CAPITAL AND EXODUS OF PORTUGUESE RESIDENTS. PROPONENTS

OF THIS THESIS HAVE STRESSED EXISTENCE OF TERRORISM, GROWING INDECISION, AND DECREASING MILITARY AND FINANCIAL SUPPORT. IN REBUTTAL, GOVERNOR CITED REITERATION OF PRECISE DEFINITION OF POLICY FOR OVERSEAS PROVINCES BY PRIME MINISTER CAETANO ON MARCH 5, PROGRESS MADE IN FIGHT AGAINST TERRORISM IN NIASSA AND ANGOLA, AND 3.5 MILLION CONTO LOAN FROM METROPOLE TO MOZAMBIQUE TO ASSIST IT WITH FOREIGN EXCHANGE PROBLEMS.

3. MOZAMBIKAN AUTONOMY

GOVERNOR CITED CONSTITUTIONAL REVISION OF 1971 AS "REPRESENTING A BIG STEP FORWARD IN MEETING ASPIRATIONS OF PEOPLE OF MOZAMBIQUE..." AND "ENSURING A GROWING LOCAL PARTICIPATION IN GOVERNMENT ORGANS." HE CONDEMNED THOSE WHO CLAMOR FOR ALMOST UNLIMITED AUTONOMY: "ONE THING IS THE LEGITIMATE USE OF THE RIGHT OF REPRESENTATION FORESEEN IN THE CONSTITUTION AND THE LAWS; ANOTHER IS AN EXPEDIENT TO SHORT-CIRCUIT ORGANS AND ENTITIES HAVING LOCAL DECISION-MAKING POWERS."

4. INFLATION

GOVERNOR NOTED THAT MOZAMBIQUE EXPERIENCED INFLATION RATE OF 10.4 PERCENT BETWEEN DECEMBER, 1972 AND DECEMBER 1973, THE LOWEST IN THE PORTUGUESE TERRITORIES AND ONE OF THE LOWEST IN THE WORLD. INFLATION RESULTED MAINLY FROM ARAB BLACKMAIL FOR PETROLEUM AND PETROLEUM DERIVATIVES AND FROM WORLD SHORTAGE OF WHEAT. IN FIRST TWO MONTHS OF 1974, INFLATION RATE INCREASED, WITH PRICES RISING 6.3 PERCENT IN RELATION TO DECEMBER, 1973.

5. EQUILIBRIUM BETWEEN PRICES AND SALARIES

IT WILL TAKE TIME TO ATTAIN NEW EQUILIBRIUM BETWEEN PRICES AND SALARIES. GOVERNMENT MAY BE FORCED TO STRENGTHEN CONTROLS AND TAKE HARD MEASURES WHICH GOVERNOR WOULD PREFER TO AVOID..."BUT WE CANNOT FORGET THAT CONSTANT RISE IN COST OF LIVING HURTS FIRST THE POOR ON SALARIES OR FIXED INCOME."

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YM FOREIGN EXCHANGE BUDGET

ALTHOUGH BALANCE OF PAYMENTS DETERIORATED IN 1973, IMPROVEMENT WAS REGISTERED IN TRADE BALANCE, WITH EXPORTS COVERING 66.8 PERCENT OF IMPORTS, AS COMPARED WITH 57.7 PERCENT IN 1972... THIS MEANS THAT THERE IS A GOOD CHANCE THAT THE ECONOMY TURNED AROUND IN 1973. MOZAMBIQUE WILL STILL NEED FEW YEARS OF GRACE TO IMPORT ESSENTIAL EQUIPMENT AND MATERIALS --

POINT OF VIEW ACCEPTED BY METROPOLE IN EXTENDING 3.5 MILLION CONTO LOAN (ABOUT US\$140 MILLION). GLOBAL FOREIGN EXCHANGE BUDGET FOR 1974 IS ALMOST BALANCED AT 18.4 MILLION CONTOS, WITH FOLLOWING BREAKDOWN: MERCHANDISE ACCOUNT -- EXPORTS OF 8.9 MILLION CONTOS AND IMPORTS OF 13.1 MILLION CONTOS; INVISIBLES -- INFLOW OF 5.6 MILLION CONTOS AND OUTFLOW OF 3 MILLION CONTOS; CAPITAL ACCOUNT -- INFLOW OF 3.9 MILLION CONTOS AND OUTFLOW OF 2.2 MILLION CONTOS.

7. ECONOMIC PERFORMANCE IN 1973

GOVERNOR CONCLUDED WITH LONG LIST OF STATISTICS ON MOZAMBIQUE'S ECONOMIC PERFORMANCE IN 1973, THE PRINCIPAL ONES BEING: GNP -- 60 MILLION CONTOS; AGRICULTURE PRODUCTION -- 19 MILLION CONTOS (SIC) AND 40 PERCENT (SIC); SECONDARY SECTOR -- 15 PERCENT OF GNP; AND TERTIARY SECTOR -- 45 PERCENT OF GNP. END UNCLASSIFIED.

BEGIN LIMITED OFFICIAL USE -- COMMENT:

8. THE BUSINESS COMMUNITY'S MALAISE AND CONCERN WITH GRADUAL DETERIORATION OF MOZAMBIQUE'S ECONOMY HAS BEEN MOUNTING FOR LONG WHILE. AS GOVERNOR ALLUDED, BUSINESS COMMUNITY IS SUFFERING FROM CRISIS OF CREDIBILITY IN GOVERNMENT. GOVERNOR SOUGHT TO ESTABLISH CONFIDENCE BY SPEAKING FRANKLY, HIGH-LIGHTING POSITIVE DEVELOPMENTS BUT AT SAME TIME ADMITTING EXISTENCE OF DIFFICULT PROBLEMS. HE MADE POINT OF "BREAKING TABOOS" AND PROVIDING BUSINESSMEN WITH MILITARY BRIEFING SO THAT THEY COULD JUDGE FOR THEMSELVES THE "TRUE COORDINATES OF THE STRUGGLE WITHOUT QUARTER THAT WE HAVE TO FACE AND TO WIN."

9. DESPITE HIS APPARENT FORTHRIGHTNESS, GOVERNOR WAS REPORTED LIMITED OFFICIAL USE

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TEDLY AT FIRST RELUCTANT TO MEET WITH BUSINESS COMMUNITY BUT FINALLY BOWED TO PRESSURE. IN THANKING GOVERNOR FOR HIS SPEECH, MARIO SECCA, PRESIDENT OF INDUSTRIAL ASSOCIATION YXXGERRED TO THE LACK OF DIALOGUE BETWEEN GOVERNMENT OFFICIALS AND BUSINESS COMMUNITY AND STRESSED IMPORTANCE OF MORE FREQUENT HIGH LEVEL MEETINGS SUCH AS THIS ONE TO ACHIEVE MUTUAL UNDERSTANDING AND SOLUTIONS TO PROBLEMS.

10. MEETING WITH BUSINESS COMMUNITY WAS CLOSED TO PUBLIC. AFTER MUCH DEBATE, PRESS ALLOWED TO ATTEND MEETING ONLY ON CONDITION THAT IT NOT PUBLISH ANY DETAILS OF WHAT TRANSPIRED DURING MEETING. ONE JOURNALIST INFORMED CONGEN THAT REPRESENTATIVES OF BUSINESS COMMUNITY VOICED MANY COMPLAINTS AND THAT DEBATE WAS HEATED. HE ALSO NOTED SARCASTICALLY THAT, ALTHOUGH GOVERNOR CLAIMED GNP WAS 60 MILLION CONTOS, HE GAVE

HIMSELF AWAY WHEN HE SAID THAT AGRICULTURAL PRODUCTION IS 40 PERCENT OF GNP AND TOTALLED 19 MILLION CONTOS. HE SAID GOVERNMENT HAD LIED ABOUT REAL LEVEL OF GNP SOME YEARS BACK AND COULD NOT NOW ADMIT LOWER FIGURE.

11. WHILE CONGEN WILL ATTEMPT TO FIND OUT SPECIFIC COMPLAINTS RAISED AT MEETING, SOME OF BUSINESSMEN'S CURRENT GRIEVANCES ARE: A) IMPORT RESTRICTIONS PREVENT THEM FROM IMPORTING RAW MATERIALS IN SUFFICIENT QUANTITIES AND MOST ADVANTAGEOUS PRICES FOR MOZAMBIQUE'S FACTORIES, MANY OF WHICH BUILT RECENTLY AT URGING OF GOVERNMENT; B) EXCESSIVELY LOW PRICES FOR MOZAMBIQUE'S PRIMARY EXPORTS (EXPORT PRICE OF SUGAR TO METROPOLE IS ABOUT ONE-THIRD WORLD PRICE) PREJUDICE ABILITY OF MOZAMBIQUE TO EARN FOREIGN EXCHANGE NEEDED FOR IMPORTS; AND C) BUSINESS COMMUNITY HAS BEEN FORCED TO BEAR BURDEN OF GOVERNMENT'S INFRASTRUCTURE PROJECTS (E.G. ROADS, CABORA BASSA), WHICH SOME CONSIDER TOO AMBITIOUS IN LIGHT OF MOZAMBIQUE'S POOR FINANCIAL SITUATION.
VAN OSS

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